

Message Text

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42

ACTION NEA-06

INFO OCT-01 SS-14 ISO-00 CIAE-00 SP-02 L-01 EB-03 IGA-01

EUR-08 PM-03 NSC-05 NSCE-00 RSC-01 AF-04 ARA-06 /055 W

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P R 051225Z DEC 74

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC PRIORITY 9312

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L TEHRAN 10333

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, IR

SUBJECT: AMOUZEGAR'S TALKS WITH CONSORTIUM IN LONDON

1. CONSORTIUM REP VARIAN CALLED DEC 3 TO BRIEF EMBOFF ON SUBJECT TALKS. VARIAN SAID AMOUZEGAR MANIFESTED A CERTAIN BITTERNESS BECAUSE HE HAS BEEN "UPSTAGED" BY YAMANI AND THE "ABU DHABI" FORMULA. HOWEVER, HE LISTENED CAREFULLY TO COMPANIES' PROBLEMS WITH SINGLE PRICE SYSTEM. AS WE UNDERSTAND IT, U.S. TAX LAW APPLIED TO SINGLE PRICE SYSTEM WOULD LEAVE U.S. MAJORS AT DISADVANTAGE VIS-A-VIS SHELL IN MARKETS OUTSIDE U.S., BECAUSE HOLLAND DOES NOT TAX SHELL ON
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PROFITS MADE ENTIRELY OVERSEAS, E.G., ON OIL MOVED FROM MIDDLE EAST

TO, SAY, ITALY. MAJORS SUGGESTED THAT IF THEY FORCED TO SELL AT OPEC "SINGLE MARKET PRICE", OPEC ALLOW THEM NOMINAL \$1.00 MARGIN, THEN TAKE 50 PERCENT OF IT BACK AS INCOME TAX. IF MARKET PRICE, FOR EXAMPLE, WERE \$10.50 (EMBASSY'S HYPOTHETICAL FIGURES), DISCOUNTED PRICE COULD BE \$9.50 AND PRODUCER COUNTRY WOULD COLLECT 50 CENT (I.E. 50 PERCENT) INCOME TAX ON THE \$1 "PRODUCING PROFIT" TO GIVE SAME REVENUE EFFECTS FOR PRODUCERS, WITH 50 CENT PER BARREL TAX CREDIT FOR MAJORS. COMPANIES' UNDERSTANDING WAS THAT AMOUZEGAR HAD NO PROBLEM WITH SUCH SCHEME.

2. EXXON'S GEORGE PIERCY VISITED EMBASSY DEC 4. HE INDICATED HE IS SKEPTICAL THAT AMOUZEGAR WOULD BE ABLE TO SELL THE "LONDON FORMULA" TO OTHER OPEC MEMBERS, AND THAT IN ANY CASE U.S. CONGRESS MAY MAKE THE EXERCISE MEANGINGLESS. PIERCY ALSO SAID HE EXPECTS CONTINUING CONFUSION AND LEAPFROGGING IN OIL PRICES.
HELMS

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